



**TESTIMONY OF DAY KIMBALL HEALTHCARE
BEFORE THE APPROPRIATIONS COMMITTEE
THURSDAY, FEBRUARY 16, 2017**

HB 7027, An Act Concerning The State Budget For The Biennium Ending June Thirtieth 2019, And Making Appropriations Therefor

Day Kimball Healthcare appreciates the opportunity to testify in opposition to HB 7027, An Act Concerning The State Budget For The Biennium Ending June Thirtieth 2019, And Making Appropriations Therefor.

Day Kimball Healthcare is a nonprofit community healthcare system providing comprehensive and integrated healthcare services through Day Kimball Hospital, Day Kimball Medical Group and Day Kimball HomeMakers, HomeCare and Hospice & Palliative Care of Northeastern Connecticut. As such, Day Kimball is the major provider of healthcare services in northeast Connecticut, serving approximately 4,500 inpatients and 72,000 outpatients each year. We are also the region's largest employer, employing approximately 1,200 people (more than 80% of whom live in Connecticut), including more than 75 medical staff with an additional 200 associated medical staff. Beyond the lifesaving care we provide 24 hours a day, we contribute more than \$230 million to our local and state economies each year and also invest in improving the health of our community.

But this job is much harder because we are under significant financial stress. We already pay a hospital tax of \$6.2 million each year. Allowing municipalities to levy property taxes on hospitals could add more than \$700,000 more to our overall tax burden. At the same time, the elimination of the small hospital pool would remove \$2.8 million in funding from our revenue.

We understand that the proposal also includes the establishment of a new pool of supplemental funding for hospitals to try and offset these proposed changes. But the fact is that even with this new funding, Day Kimball Healthcare would still come out a half-million dollars below the level of funding received in the state's 2017 fiscal year – which was \$1.2 million below the level of funding received in the 2016 fiscal year. This pattern of continued cuts to the healthcare infrastructure of our state is wrong and unsustainable.

Also of grave concern is the proposal to move hospital funding from its own line in the budget, where the potential for later rescission is limited to 5%, back into the Medicaid general line item, putting it at risk to be rescinded in its entirety at any time. It happened in the 2016 fiscal year and there is no reason to doubt that it may very well happen again, especially given the uncertainty regarding federal Medicaid funding under our new President's administration. Hospitals need the supplemental funding that was promised in order to serve the most vulnerable citizens of our state. Hospitals must also count on this funding when forming their own annual budgets to ensure sound financial performance so that we can continue providing access to high quality healthcare. This proposed budget clearly views those funds as a potential cushion to shore up the state's budget – otherwise, why move the funds back into the general Medicaid line item at all?

What's more, for small hospitals like Day Kimball, these measures are contradictory to the state's actions toward the Certificate of Need process, which makes it much harder for smaller institutions to join larger systems. Continued cuts and taxes make it increasingly difficult for small, independent hospitals to survive on their own, to the point where for many the only choice is to join a larger system. And yet there is opposition expressed in the legislature to allowing such mergers. Where are small hospitals and the communities they serve left in this equation? They are left to fail. The state cannot have it both ways without subjecting many of its residents to a loss of access to healthcare.

These continued cuts to funding, increases in taxes and uncertainty about whether or not hospitals will actually receive the money that's been budgeted to them has real consequences for the residents of our state. At Day Kimball, with the loss in funding we've experienced over the last several years we could have invested in making

capital improvements to aging facilities; more effectively attracted and retained highly qualified employees by offering salaries and benefits that are on par with our competitors in nearby Massachusetts; and more aggressively recruited primary and specialty care physicians to address a significant shortage of providers in our region, thereby sustaining access to care for the 93,000 residents of northeast Connecticut.

Instead, in the last several years we have had to reduce our workforce, minimizing our capacity to grow access to patient care and services in our region; we have faced an uphill battle in recruiting physicians and other in-demand clinical positions; and we have struggled to maintain even a break-even budget as a result of these taxes as well as below-cost Medicare and Medicaid reimbursement rates – and patients covered by these programs make up about 64% of those we serve.

We have strived to be innovative in creating efficiencies to offset these repeated cuts in a way that would not affect access to care for the communities we serve. We have worked hard to find grants to help cover the cost of necessary technology upgrades and facility improvements. But these are not long-term reliable solutions, nor can they make up for these repeated cuts and taxes. To enact even further cuts and taxes on our hospital is simply not sustainable and will undoubtedly have a significant negative impact on the health of the communities we have made it our mission to serve for more than 120 years.

HB 7027 as drafted establishes yet another tax on hospitals. It involves a scheme to eliminate our real property tax exemption, and lets municipalities tax us. It eliminates our small hospital funding, while placing the rest of our funding in jeopardy by placing it back into the Medicaid general line item.

We've been down this road before. When the state enacted the hospital tax in 2011, the promise was to return more than was taxed. The promise wasn't kept, and the state has repeatedly cut hospitals over the years. That budget scheme has already resulted in more than \$2 billion taxed and cut from hospitals.

Day Kimball Healthcare is the cornerstone of its community. We provide good jobs and are a literal lifeline to the people we serve. We need healthcare policies that are sustainable and improve the quality and access to care, not more taxes that are just bad policy.

We need you to preserve healthcare in Connecticut, and stand ready to work with you.

Thank you for your consideration.